



ARIZONA STATE SENATE
Fifty-Second Legislature, Second Regular Session

FINAL AMENDED
FACT SHEET FOR S.B. 1441

~~long-term care insurance; rates; premiums~~
~~(PREV NOW: premiums; rates; long-term care insurance)~~
~~(NOW: long-term health insurance; rulemaking)~~

Purpose

An emergency measure that requires the Arizona Department of Insurance to adopt rules relating to long-term care insurance.

Background

Private long-term care insurance provides coverage for services used by chronically ill or cognitively impaired persons who may require assistance with basic essential activities of daily living, such as eating and bathing, typically in their final years of life. Long-term care insurance policies may cover services provided by nursing homes and other assisted living facilities as well as in-home care services, most of which are traditionally not covered under Medicare.

The premium rates for long-term care insurance policies are set by making actuarial projections about the revenue levels that insurers need to derive from their policyholders in order to pay for future costs of providing services covered under these policies. This includes making assumptions about mortality rates, potential lapses in coverage by existing policyholders before they have the opportunity to file claims, the number of policyholders that will retain their coverage and ultimately file claims, and the premium adequacy needed to ensure sufficient reserves for future benefits to policyholders.

Under current law, the Director of the Arizona Department of Insurance (Director) may adopt reasonable rules that promote long-term care insurance premium adequacy and protect policyholders in the event of substantial rate increases. The Director may adopt rules specifying: 1) the type or types of non-forfeiture benefits to be offered as part of a long-term care policy and certificate; 2) the standards for non-forfeiture benefits; and 3) the requirements for contingent benefit on lapse, including a determination of the specified period of time during which a contingent benefit on lapse will be available and the substantial premium rate increase that triggers the contingent benefit on lapse (A.R.S. § 20-1691.02).

No person may deliver or issue for delivery in this state any long-term care policy or rate unless: 1) the form or rate has been filed with the Director; and 2) the Director has approved the form or rate. If disapproving the form or rate, the Director must provide the insurer with written notice specifying the reasoning for disapproval, which may occur if: 1) the rate is deemed not to

be in compliance with statute and any applicable rule; or 2) the form contains provisions that are ambiguous, misleading or deceptive, that encourage misrepresentation of coverage or that are contrary to statute and any applicable rule. The insurer may request an administrative hearing to contest the disapproval (A.R.S. § 20-1691.08).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Requires the Arizona Department of Insurance (Department) to adopt rules relating to long-term care insurance that substantially conform to those adopted in model regulations adopted by the National Association of Insurance Commissioners, including the 2014 revisions.
2. Exempts the Department from rulemaking requirements for one year after the effective date of this legislation.
3. Requires the Department to provide public notice and an opportunity for public comment on the proposed rules at least 60 days before the rules are amended or adopted.
4. Repeals the rule adoption requirement on July 1, 2018.
5. Becomes effective on signature of the Governor, if the emergency clause is enacted.

Amendments Adopted by the House of Representatives

- Adopted a strike everything amendment requiring the Department to adopt rules relating to long-term care insurance.

Senate Action

FI 2/17/16 DPA/SE 6-1-0
3rd Read 3/3/16 28-2-0

House Action

INS 3/16/16 DPA/SE 7-0-0
3rd Read 4/13/16 56-3-1

Signed by the Governor 5/17/16
Chapter 280

Prepared by Senate Research
May 24, 2016
FB/rf